

# How a Bank is Managed and Examined

**W**HETHER you will or not, you are concerned with the way your bank—any bank—manages the money entrusted to it by its depositors. If this money is wisely and conservatively handled it is safe and at the same time it is usefully employed. The readiest means you have of finding out what becomes of the funds deposited in a bank is by studying the statements published periodically by the bank. Every dollar of assets and liabilities is set down there, and if you know what the figures mean you can form a clear judgment of the actual condition of the institution.

**B**ECAUSE of the common complaint that bank statements are not easily understood by the public, The Corn Exchange Bank began in 1916 to publish "A Bank Statement that any Man or Woman Can Understand." Under the various items of the statement were printed brief explanations, in plain language, of what these items mean. So popular has this form of bank statement become that we have gone a step further and show in detail, in this advertisement, how to determine the significance, in actual percentage figures, of the various items in a bank statement.

## "The Bank Owes to Depositors, Payable on Demand"

When a bank accepts a deposit it agrees to repay the money instantly when the depositor asks for it. What heavier obligation could be laid upon a banker, what requirement calculated to make him more scrupulously careful of what he does with the money entrusted to him? For deposits cannot lie idle in the vaults. They must be put to work for the good of the community, in the shape of loans to merchants and manufacturers, investment in bonds of sound corporations, real estate mortgages and Government loans. If banks refused to lend and invest, the wheels of industry would come to a full stop, and banks can only justify their existence by lending and investing. And yet, if depositors ask for their money it must be forthcoming without a moment's delay. How can a bank lend money and at the same time have it available to pay depositors?

The answer lies in the bank's reserves of cash and of securities on which cash can immediately be raised, plus its other assets and especially its surplus of assets over what it owes to depositors. The Corn Exchange Bank owes to depositors \$209,170,153.89, which it has agreed to repay on demand.

## "For this Purpose We Have"

### [1] CASH

Not all the money which comes flooding through the tellers' windows of the fifty offices of The Corn Exchange Bank is loaned to borrowers or invested in bonds. A substantial part of it is held as a reserve to pay depositors who wish their checks cashed. A part of this money is kept in the shape of actual coin and banknotes in the tills, and another part is deposited with the Federal Reserve Bank, where it can be obtained on a moment's notice. The Federal Reserve Law requires that banks in New York City, members of the Federal Reserve System, shall keep funds on deposit at the Reserve Bank to the extent of at least 13 per cent of the amount which member banks owe to their own depositors on demand. In addition, these member banks may keep on hand whatever cash they think they need. The Corn Exchange Bank has cash on hand, in the Reserve Bank and in other depositories totaling \$33,029,684.23, which is 15.78 per cent of the amount of our own deposits, against only 13 per cent actually required by law.

### [2] CHECKS ON OTHER BANKS

A large part of the deposits received every day by The Corn Exchange Bank consists of checks drawn on other banks. Thus, according to the statement printed on this page, we have on hand \$24,390,053.40 in the shape of checks, which will be converted into cash as soon as they have passed through the Clearing House or been otherwise collected. This requires one day, so that at a day's notice our cash reserve can be increased \$24,390,053.40, bringing the total up to 27.45 per cent of what we owe our depositors.

### [3] U.S. GOVERNMENT SECURITIES

A part of the deposits of The Corn Exchange Bank has been invested in United States Government bonds and notes, which rank among the safest investments in the world. United States Government securities owned by this bank are an additional insurance to our depositors. As shown by the accompanying statement, The Corn Exchange Bank owns \$65,670,254.64 of these securities, which are available for loans at the Federal Reserve Bank or could be sold on the market for cash. The use of these Government obligations for \$65,670,254.64 would give us a total cash reserve of \$123,089,922.27, or 58.84 per cent of our deposits.

### [4] LOANS TO INDIVIDUALS AND CORPORATIONS

These are "demand loans," one of the most "liquid" forms of credit known—that is, they are repayable on notice to borrowers. Every loan is secured by marketable collateral of a value substantially in excess of the amount loaned. Should any part of this collateral decline in value, deposit

## A Bank Statement that any Man or Woman can Understand

## THE CORN EXCHANGE BANK

NEW YORK

### Statement of January 16, 1922

#### The Bank Owes to Depositors . . . . . \$209,170,153.89

A conservative banker always has this indebtedness in mind, and he arranges his assets so as to be able to meet any request for payment.

#### For this Purpose We Have:

[1] Cash . . . . . \$33,029,684.23  
(Gold, Bank Notes and Specie) and with legal depositories returnable on demand.

[2] Checks on Other Banks . . . . . 24,390,053.40  
Payable in one day.

[3] U.S. Government Securities . . . . . 65,670,254.64

[4] Loans to Individuals and Corporations . . . . . 34,346,813.19  
Payable when we ask for them, secured by collateral of greater value than the loans.

[5] Bonds . . . . . 22,167,065.83  
Of railroads and other corporations, of first quality and easily salable.

[6] Loans . . . . . 42,531,026.40  
Payable in less than three months on the average, largely secured by collateral.

[7] Bonds and Mortgages and Real Estate . . . . . 1,000,748.82

[8] Twenty-six Banking Houses . . . . . 4,012,685.66  
All located in New York City.

Total to Meet Indebtedness . . . . . \$227,148,332.17

[9] This Leaves a Surplus of . . . . . \$17,978,178.28

Which becomes the property of the Stockholders after the debts to the depositors are paid, and is a guarantee fund upon which we solicit new deposits and retain those which have been lodged with us for many years.

Our listed resources, enumerated in this statement do not and can not include those assets of friendliness and helpfulness which this bank has in the personnel of its board of directors, its officers and employees. These are assets which pay dividends to our patrons in service and satisfaction.

## THE FIGURES OF OUR BANK STATEMENTS ARE AUTHENTICATED AT LEAST SIX TIMES

The figures in the statements of the Corn Exchange Bank are verified by three outside, independent agencies and by the authorities of the Bank itself:

- 1 and 2—Twice a year the State Bank Examiners, without previous notice to us, send in a force of 57 men who count all the money and examine all the securities we possess.
- 3—At least once a year the New York Clearing House, of which this Bank is a member, examines our condition without notice to us.
- 4—The New York Federal Reserve Bank also makes its own examination of our accounts and assets without letting us know when to expect this scrutiny.
- 5—The Directors of the Corn Exchange Bank are required by law to examine and verify the Bank's accounts at least once a year. This is done, no notice being given in advance, by committees of clerks numbering 133 men, selected by the Directors.
- 6—Periodical examinations are made, without notice, by our own inspectors.

All this is designed to check and verify every item which appears in our bank statements.

of additional collateral is immediately demanded of the borrower in order to keep the loan secure. The Corn Exchange Bank has loaned \$34,346,813.19 in this way. If these loans should be immediately repaid on demand, or redeemed through sale of the collateral, our cash reserve including items already described, would amount to \$157,436,805.46, which is 75.25 per cent of the amount we owe to our depositors.

### [5] BONDS

These are high-grade securities of railroads and other corporations, which can quickly be converted into cash by sale. The cash realized from the sale of the \$22,167,065.83 of these bonds now on hand would bring our total cash up to \$179,603,871.29 or 85.86 per cent of our deposits.

### [6] LOANS

The loans we have made to customers, largely secured by collateral and payable, on the average, in less than three months, represent a part of the service we render to the business community. The accompanying statement shows \$42,531,026.40 of such loans outstanding. Our customers use the money we have advanced them to carry on their business. These loans constitute an additional safeguard to our depositors, for the reason that a large proportion of this commercial paper can be immediately disposed of for cash at the Federal Reserve Bank. That Bank, of which The Corn Exchange Bank is a member, will lend us money against the notes which our customers have given us, or will purchase certain classes of their obligations outright from us for cash.

We have already shown how, if necessary, 85.86 per cent of the money required to pay our depositors could be realized. In order to secure the remaining 14.14 per cent, thereby covering our deposits dollar for dollar, it would only be necessary to rediscount or sell to the Federal Reserve Bank \$29,566,282.60 out of the \$42,531,026.40 commercial loans which we hold. In other words, the funds would be provided by disposing of 69.51 per cent of our customers' commercial notes at the Federal Reserve Bank. This would leave a balance of \$12,964,743.80 of commercial paper still untouched, after providing for the payment of 100 per cent of our obligations to depositors.

### [7] BONDS AND MORTGAGES AND REAL ESTATE

This item represents miscellaneous assets of The Corn Exchange Bank acquired in the course of its business dealings. These assets are sound and, while not as easily marketable as the items listed above, constitute an additional guarantee of the bank's ability to meet demands upon it. The total on hand, as shown in the annexed statement, is \$1,000,748.82, which is less than 1/2 of 1 per cent of our deposits.

### [8] TWENTY-SIX BANKING HOUSES

The item of \$4,012,685.66 represents the Corn Exchange Bank's main building and twenty-five of the forty-nine premises occupied by branches. It will be noted that this investment in "plant" is extremely small, compared with the amount owed to depositors. In other words, a very small part of the bank's funds has been used for these permanent investments in real estate. We have preferred to keep the greater portion of our assets in a form immediately available to meet every possible demand upon us.

### [9] THIS LEAVES A SURPLUS OF—

By carefully conserving its resources and increasing its surplus out of its earnings, year by year, The Corn Exchange Bank has accumulated a capital and surplus of \$17,978,178.28. In other words, the Bank has an excess of assets, described above, totaling \$17,978,178.28 over what it owes to its depositors. The foregoing paragraphs have shown that, with the exception of \$1,000,748.82 invested in bonds and mortgages and miscellaneous real estate, and \$4,012,685.66 representing twenty-six banking houses owned, the vast bulk of our assets, and hence the surplus of assets over deposits, is in a "liquid" form, quickly available to pay whatever demands are made upon The Corn Exchange Bank.

# THE CORN EXCHANGE BANK

NEW YORK

The Corn Exchange Bank Supplies Banking and Trust Service Through Its Fifty Offices Located in Greater New York